

Message Text

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ORIGIN TRSE-00

INFO OCT-01 AF-10 ISO-00 AID-05 CIAE-00 COME-00 EB-08
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TO AMEMBASSY KINSHASA

C O N F I D E N T I A L STATE 227211

E.O. 11652: GDS

TAGS: ECON, CG

SUBJECT: BANK OF ZAIRE THIRD QUARTER FOREIGN EXCHANGE
BUDGET

REF: A) KINSHASA 8563; B) LUBUMBASHI 956; C) KINSHASA 8585

1. SUMMARY. WASHINGTON AGENCIES HAVE NOW HAD AN
OPPORTUNITY TO CONDUCT A TECHNICAL LEVEL REVIEW OF
FOREIGN EXCHANGE BUDGET AND EMBASSY COMMENTS (REF A).
WE APPRECIATE THAT PROCESS OF EVALUATING DATA IN
KINSHASA WAS DIFFICULT AND FRUSTRATING AND KNOW THAT
EMBASSY UNDERSTANDS OUR OWN DIFFICULTY IN ANALYZING
NUMBERS FROM WASHINGTON. FOLLOWING ARE RESULTS OF
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OUR OWN INITIAL ANALYSIS. WE WOULD APPRECIATE EMBASSY
VIEWS. END SUMMARY.

2. REVIEW OF THIRD QUARTER FOREIGN EXCHANGE BUDGET
CONTAINED IN REF A RAISES CERTAIN QUESTIONS ABOUT
SEVERITY OF IMPORT SQUEEZE GOZ CLAIMS FOR THIRD
QUARTER. WE NOTE THAT PROJECTED AVERAGE MONTHLY

MERCHANDISE LEVEL FOR THIRD QUARTER, BF2042 MILLION, IS ABOVE ACTUAL AVERAGE MONTHLY LEVEL FOR FIRST FIVE MONTHS OF 1978, 1978, BF1798 MILLION, AS WELL AS ABOVE AVERAGE MONTHLY LEVELS FOR TWO PREVIOUS YEARS. PART OF EXPLANATION MAY LIE IN GOZ'S PROJECTION OF REPLAYMENT OF BF300 MILLION PER MONTH OF COMMERCIAL ARREARAGES, LEAVING ONLY BF1742 MILLION PER MONTH FOR IMPORTS. WE WONDER, HOWEVER, HOW REALISTIC ARREARAGE REPAYMENT IS IN LIGHT OF SUPPOSED TIGHT FOREIGN EXCHANGE SITUATION. EVEN ASSUMING ARREARAGE REPAYMENT MADE, PROJECTED AVERAGE MONTHLY IMPORT LEVELS FOR THIRD QUARTER ONLY SLIGHTLY LESS THAN AVERAGE MERCHANDISE PAYMENTS FOR FIRST FIVE MONTHS OF 1978.

3. AS NOTED IN REFTEL A FOREIGN EXCHANGE BUDGET EXCLUDES RECEIPTS FROM EXPORTS OF SERVICES AND TRANSFERS. IF 1978 RECEIPTS ON THIS ACCOUNT MATCH 1977 LEVEL OF \$200 MILLION ANNUALLY, THIS WOULD PROVIDE OVER BF500 MILLION ADDITIONAL PER MONTH. ADDING THIS TO PROJECTED AVAILABILITY FOR MERCHANDISE PAYMENTS OF BF2042 WOULD ENABLE AVERAGE MONTHLY IMPORTS OF OVER BF2500 FOR THIRD QUARTER, AMOUNT CITED BY GOZ AS MINIMUM NECESSARY TO PREVENT FURTHER DETERIORATION IN ZAIRE'S ECONOMY. WE ALSO NOTE THAT BUDGET DOES NOT SHOW ANY FOREIGN EXCHANGE RECEIPTS ON CAPITAL ACCOUNT, IMPLYING NO DISBURSEMENTS UNDER NEW OR EXISTING LOANS.

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4. USE OF THE "40 PERCENT RULE," NOTED IN REF A, COULD LEAD TO UNDERESTIMATE OF EXPORT RECEIPTS. WITH GECAMINES EARNINGS PROJECTED TO DECLINE, AND OTHER EARNINGS RELATIVELY UNAFFECTED BY KOLWEZI EVENTS, OTHER EXPORT EARNINGS COULD VERY WELL RISE AS PROPORTION OF TOTAL EXPORT RECEIPTS. WE NOTE ALSO THAT REF B INDICATED CONTINUED KOLWEZI PRODUCTION AT RELATIVELY HIGH LEVELS IN JULY WHICH SUGGESTS THAT THIRD QUARTER FALLOFF IN GECAMINES EARNINGS MAY BE SLOWER THAN PROJECTED EVEN GIVEN ANTICIPATED PRODUCTION SHORTFALLS DUE TO LACK OF TRAINED AND EXPERIENCED MAINTENANCE SPECIALISTS.

5. ABOVE COMMENTS ARE NOT INTENDED TO PICK HOLES IN ADMITTEDLY FUZZY NUMBERS. RATHER THEY REFLECT DESIRE TO UNDERSTAND ZAIRE ECONOMIC SITUATION AFTER KOLWEZE EVENTS. THE REPORTS THAT WE HAVE RECEIVED INDICATE THAT EFFECT HAS NOT BEEN SO SEVERE AS ORIGINALLY ENVISIONED, A VIEW WHICH IS NOT INCONSISTENT, AS WE SEE IT, WITH GOZ'S THIRD QUARTER FOREIGN EXCHANGE BUDGET. NONETHELESS THIS IS NOT TO IMPLY THAT ZAIRE DOES NOT SEND SIGNIFICANT EXTERNAL ASSISTANCE.

6. FINALLY, WE SHARE YOUR VIEW EXPRESSED IN REF A THAT PURPOSE OF FOREIGN EXCHANGE BUDGET WAS PERHAPS LESS TO PROJECT ZAIRE'S QUARTERLY FOREIGN EXCHANGE SITUATION THAN TO ACT AS ONE MANAGEMENT TOOL TO CONTROL AND MOINITOR FOREIGN EXCHANGE RECEIPTS AND EXPENDITURES. UNFORTUNATELY, THE BUDGET IN THE FORM PREPARED BY GOZ IS NOT TOO HELPFUL FOR THIS PURPOSE. OF MORE UTILITY IS THE LISTING OF GOZ FOREIGN EXCHANGE RECEIPTS AND PAYMENTS IN REF C. WE HOPE THAT RECENT EFFORTS BY GOZ TO ENSURE FOREIGN EXCHANGE REPATRIATION AND THE ARRIVAL AT THE BANK OF MR. BLUMENTHAL WILL LEAD TO BETTER FOREIGN CONTROL AND MANAGEMENT. CHRISTOPHER

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